



# CCM 2012 Testimony

900 CHAPEL STREET, 9th FLOOR, NEW HAVEN, CT 06510-2807 PHONE (203) 498-3000 FAX (203) 562-6314

## ***INSURANCE & REAL ESTATE COMMITTEE***

February 21, 2012

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

### **S.B. 96**

### **An Act Exempting Municipalities from the Health Insurance Premium Tax**

CCM supports S.B. 96 and has long advocated for protecting municipalities from the premium tax as a tangible step that the State can take to help cut costs for property taxpayers. Senate Bill 96 would eliminate this burdensome tax on or after July 1, 2012. The premium tax *costs municipalities up to \$9 million* each year. The tax is 1.75% on fully insured municipal premiums. Municipalities that are self-insured do not pay the premium tax. But some municipalities, particularly small towns, cannot reasonably consider self-insurance as an option, because just one catastrophic illness could have a severe negative impact on a local budget.

CCM recognizes the financial difficulty facing the State and that, realistically, the State will be reluctant to give up what could be about \$9 million in annual revenue paid by municipalities. Yet, because insurance premiums rise each year, so does the premium tax on towns and cities.

Therefore, in the interest of compromise, CCM would also support the Governor's proposal to phase-out this tax over the next few years. Similar to a proposed amendment in 2010 (*S.B. 16, Insurance Committee testimony, CCM, 2/9/10*) – the proposed phase-out would (a) cut the tax rate by 50% beginning 2014, (b) by another 25% for 2015, and (c) eliminate the premium tax on municipalities altogether for 2016, as currently proposed in S.B. 96

This "phase-out" compromise proposal is a reasonable approach that reflects the intent of S.B. 96, which is to provide critical relief to towns and cities during this historic fiscal crisis, while also limiting the fiscal impact on the State.

CCM urges committee members to favorably report S.B. 96.

★ ★ ★ ★ ★

If you have any questions, please contact Bob Labanara at [rlabanara@ccm-ct.org](mailto:rlabanara@ccm-ct.org) or Ron Thomas at [rthomas@ccm-ct.org](mailto:rthomas@ccm-ct.org), or via phone at (203) 498-3000.